

Beef Farmers and Digital Marketing

Latvia's high-quality beef sector has gone through substantial structural changes (export growth, the growing prominence of direct sales, established auction houses, etc.), shifts in consumer preferences and contextual socio-economic and political turbulence. The two main challenges, however, are the shrinking population and consumers' unwillingness to pay for high-quality products.

To resolve these challenges, the Living Lab (LL) in Latvia is looking for ways digital tools could be used to communicate directly with consumers. Digital solutions could help beef farmers to communicate the positive social and limited environmental impact of cattle farming in Latvia and the high quality of beef produced by Latvia's farmers.

In the frame of the LL, a future scenario planning workshop was held in August 2021. During the workshop, a scenario question, focusing on the possible situation in 2031, was raised: "How to make use of the potential inherent in digital marketing for selling beef?" During the workshop, two scenarios were developed: "Vicious circle" (a scenario containing numerous opportunities yet also containing considerable uncertainties related to potential outlet markets for beef produced by Latvian farmers) and "Penetrating niches" (a scenario that illuminates beef farmers would need to be proactive if they wanted to remain relevant in the future).

Farmers have established channels to communicate with consumers. However, these channels often cannot be upscaled. Upscaling requires broader structural shifts.

CONTEXT

The DESIRA Living Lab (LL) in Latvia aims to develop an innovative support system with the use of digital tools for the recognition and traceability of beef in order to improve and extend the market reach of Latvian cattle farmers. Specifically, the LL focused on a digital marketing strategy aimed at communicating the characteristics of Latvia's beef to consumers and farmers, and the reasons for the high price of high-quality beef.

The beef market in Latvia has numerous characteristics that make it an interesting case for a Living Lab approach. Although Latvian farmers can produce a substantial amount of organic beef, only a small number of consumers are ready to pay for high-quality beef meat. Digital solutions could help beef farmers to communicate the positive social and limited environmental impact of cattle farming in Latvia and the high quality of beef produced by Latvia's farmers. Digital tools will aid in targeting consumers willing to pay extra for high-quality meat: there is a niche market

of consumers that are willing to pay for products of high quality with low environmental impact, but it appears to be difficult to reach this group using traditional forms of marketing.

The sector has gone through substantial structural changes (export growth, the growing prominence of direct sales, established auction houses, etc.), shifts in consumer preferences and contextual socio-economic and political turbulence. The domestic market has been shrinking. This has been caused by the shrinking population on the one hand and changing dietary preferences on the other. In the last two decades, the average consumption of beef per household member per year has halved in Latvia. In this unfavourable context, some beef farmers have been trying to sell their products locally. The most prominent beef cattle farmers organisation is the Society of Beef Cattle Farmers (*Gajās liellopu audzētāju biedrība*), consisting of 265 members.

RESEARCH APPROACH

A future scenario planning workshop was held in August 2021. During the workshop, the following scenario question was discussed: "**How to make use of the potential inherent in digital marketing for selling beef?**". Before and during the workshop, two case-specific scenarios and two generic scenarios describing the best and the worst possible situations were developed. To develop the two case-specific scenarios, we identified a list of drivers (of change) affecting the processes.



TO BENEFIT FROM DIGITAL TOOLS, SMALL HIGH-QUALITY BEEF FARMS WILL NEED TO COOPERATE. COOPERATION WILL HELP TO ACCUMULATE RESOURCES NEEDED TO DEVELOP COMPLICATED SOLUTIONS.

The list of drivers used to characterise the two case-specific scenarios was developed by identifying one or two drivers for each of the following domains: Social, Technological, Environmental, Economic, Political. The following drivers were used to develop the scenarios: (1) New diets; (2) animal welfare; (3) social media and social networks; (4) extreme weather; (5) prevalence of bovine diseases; (6) solvency of the population; and (7) support for environmentally friendly practices.

For each driver, two statements were made. The statements for the scenario frameworks were developed in an iterative process. Sets of statements describing driver-related shifts were used as the basis of the two case-specific scenarios. The statements were selected keeping in mind, that linked together, emerging scenarios would need to appear plausible, while also ensuring that none of the scenarios would automatically seem as significantly more desirable or more probable. Instead, in each scenario, some welcome changes were accompanied by shifts that created new challenges to producers.

SCENARIOS DEVELOPED

During the workshop, the participants named the first scenario "Vicious circle". This scenario creates numerous opportunities, but participants noted that there is considerable uncertainty vis-à-vis the market for beef produced by Latvian farmers. In other words, the participants vacillated between Latvia as the main market and the export route. The second scenario was named "Penetrating niches". Participants suggested that high-quality beef farmers would need to be proactive if they wanted to benefit from this future. The challenge of the future captured by the second scenario, as it was defined by farmers, is that there seems to be no natural market that high-quality farmers could benefit from. However, on the other hand, consumers are more interested in niche products in general and can pay for high-quality products.

The scenarios illustrate a number of challenges that the sector is facing – including consumers' lack of trust, shrinking natural markets (negative population growth in Latvia) and limited demand for high-quality beef, changing dietary habits and farmers' unwillingness to cooperate.

The ability to communicate the value and characteristics of Latvian beef in a clear and enticing manner can help overcome these challenges. Farmers need to reframe cattle farming as an integral part of the landscape and dispel misconceptions about the way beef is produced in Latvia. Also, farmers need to encourage consumers to learn about products and different ways of preparing them. Digital tools offer game-changing marketing solutions that will allow farmers to strengthen their market position. Successful cooperation can help farmers to fully benefit from these tools.



POLICY RELATED DISCUSSION

Workshop discussions illustrated that there are clear problems that the sector and policy-makers could engage in for the sector's performance to be improved:

The beef produced by farms, following practices producing high-quality beef, is more expensive than conventional meat. The costs of the beef are due to organic farming practices and the choice to work with grass-fed and pasture-raised carnivores. However, consumers are poorly informed regarding the aspects of meat quality and have limited cooking skills when it comes to various pieces of meat. Consequently, producers struggle to justify prices that would be significantly higher than those asked for conventional meat. Recognizing this problem, individual producers and producers' groups have started to engage with consumers by trying to communicate various recipes and to develop a narrative of what high-quality beef production is. However, a political choice might be to add additional pressure on farms that are following conventional practices, thus facilitating an increase in price for all meat products.

While beef producers are located in the countryside and often quite far from the large cities, the main consumers (those able to pay extra for a better product) are living in cities. This complicates logistics. Most farmers have introduced a version of a digital ordering system (ranging from less sophisticated WhatsApp chats or Google spreadsheets to fully functional online shops). However, these systems might be difficult to upscale and impossible to link to other systems, for example, document products that are currently in store.

Additionally, the distance between the farm and the consumers increases delivery costs and the ecological footprint of the supply. These costs could be reduced if farmers were collaborating when planning deliveries. There are already groups of farmers trying to establish joint logistics

planning allowing farmers to deal only with consumers who are closer to the farm while not losing profits. Developing tools supporting logistics planning could be a helpful instrument to other small farmers looking for a way to cut costs on deliveries.



COMMUNICATION WITH CONSUMERS DOES NOT STOP WITH ENSURING THAT FARMERS' MESSAGE REACHES CONSUMERS. THE COMMUNICATION NEEDS TO BE SUPPLEMENTED WITH STRUCTURAL CHANGES IN A WAY THAT THE SECTOR OPERATES EFFECTIVELY.

For farmers to be able to cooperate around joint logistics (including joint webpage to sell the product and joint logistics) they need to ensure that products maintain the same quality across all engaged farms. This requires developing standards of quality and agreements on the main products marketed. This standardisation most likely has to come from farmers and policy-makers cannot introduce it. However, farmers are struggling to do this.





This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 818194.

POLICY OPTIONS

Strengthening digital skills

- Farmers agree that they need to ensure that their farms are 'online', e.g. by using social media, having a homepage, etc. However, many of the farmers represent generations that were introduced to digital tools late in their lives. Although for some of them online communication comes naturally, others are complaining that this task takes an un-proportional share of their time and causes stress.
- For some of these farmers, courses helping to improve their skills might be helpful. However, others would prefer if specialised enterprises were providing these services to farmers so that farmers would not need those skills.

Rethinking traceability

- A system is in place that allows consumers to trace meat products they have bought. Such a system is maintained by the state and it is based on data that farms have to declare to monitoring organisations.
- Unfortunately, the existing solution is not user friendly and few consumers are informed about it. If the system was improved to be friendlier to use, it could help farmers to communicate with consumers.

Focusing on the context

- The sector is in the middle of restructuring itself. Currently, at least two farmers' cooperatives are being developed. Farmers are mobilising to resolve sectoral challenges on their own. To support them, policy-makers need to address the contextual related issues.
- Many of the core issues farmers are dealing with are not related to the characteristics of the sector. Instead, they are rooted in contextual processes that affect other agricultural sectors as well.
- Some of these contextual issues are negative population growth, consumers price sensitiveness, significant price differences between conventional and products that have been produced responsibly. Policy-makers need to take a stronger stand while working with these challenges.

This policy brief is published in the frame of the EU-funded DESIRA project and aims to provide recommendations for policy makers on how to support digitalisation in the context of high quality beef in Latvia.

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